



**STATEMENT BY BART RUTH
PAST PRESIDENT, AMERICAN SOYBEAN ASSOCIATION**

before the

**SUBCOMMITTEE ON GENERAL FARM COMMODITIES
COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES**

May 20, 2004

Good morning, Mr. Chairman and Members of the Subcommittee. I am Bart Ruth, a soybean and corn farmer from Rising City, Nebraska. I am a Past President of the American Soybean Association, which represents 25,000 producer members on national issues of importance to all U.S. soybean farmers. ASA appreciates the opportunity to appear before you today.

The Need for Consistency in Farm Program Support

We commend you, Mr. Chairman, for holding this mid-term review of the 2002 Farm Bill. Experience suggests that conditions two years into omnibus farm legislation are rarely those anticipated when these bills are enacted. Recall that when Congress passed the Freedom to Farm Act in 1996, prices for most program crops were relatively high, and the prevailing thinking was that U.S. farmers could transition away from income support. Two years later, we were facing historic low prices, and Congress had to resort to annual supplemental AMTA payments. In 2002, these ad hoc payments were incorporated into the counter-cyclical income support program. And now, only two years later, prices for soybeans and some other program crops are even higher than in the mid-1990's, and counter-cyclical payments have been made only to cotton and rice producers.

My purpose in mentioning these disparities between farm policy and conditions in the farm economy is not to be critical, Mr. Chairman. As we consider where we are today, it is important to recognize the volatile impact various factors can have on agriculture. Shifts in production due to weather or planting decisions, disease, world demand, competition, and other conditions can change our economic landscape in a matter of months, let alone years. Policymakers must take these realities into account when considering decisions that could affect the viability of production agriculture.

Regarding the development of the 2002 Farm Bill, we all recall that, as a result of low prices, budget projections in early 2001 indicated that the agriculture baseline would be inadequate to maintain income support levels at prevailing levels. As a result, Congress added \$78.5 billion in

budget authority to the baseline over ten years – a decision widely criticized then and now by non-farm constituencies.

In reality, because of higher prices than projected by CBO, spending under the 2002 Farm Bill has been considerably less than expected. And the decline in cost is continuing. CBO's most recent forecast for farm spending in FY-2004 and FY-2005 is almost \$10 billion less than its August 2003 forecast, and \$11.6 billion less than CBO projected for these two years when the farm bill was enacted. However, this does not mean that the safety net should not have been put in place, or that it may not be needed during the remaining years of this Act.

Proposals to reduce the agriculture baseline through reconciliation in FY-2006 and future years are not consistent with long-term commitment to protecting farm income represented by omnibus farm legislation. These programs are as important in ensuring the viability of family farmers as other entitlement programs are in providing a safety net for other vulnerable groups. Soybean farmers and others have based long-term economic plans on the assumption that the farm programs enacted in the 2002 Farm Bill will remain in place through the 2007 crops. To arbitrarily cut support levels would be to violate this compact and place producers at risk.

Soybeans and the 2002 Farm Bill

I would now like to comment on how soybeans have fared under the 2002 Farm Bill. At the time of enactment, domestic and foreign demand for soy protein and soybean oil were rising rapidly, and ASA wanted to ensure that our producers would share in the growth of these markets. As the bill began to take shape, we expressed strong concern that support levels for other program crops could be set at levels that would attract acres from soybean production in years when the farm program is a factor in planting decisions.

As we feared, plantings for 2003 crops indicated a two percent decline in soybean acres, despite improvement in prices and exports. Combined with last year's short crop and continuing growth in world demand, this reduction in plantings is responsible for the \$10 plus soybean prices we have had this Spring. And as a result of these factors, soybean planting intentions for 2004 have recovered to 2002 levels. However, we continue to be concerned that soybean acres will again decline if the farm program becomes a factor in planting decisions.

In this regard, we would suggest that the counter-cyclical income support program, despite being decoupled from current-year production, may still influence planting decisions in advance of the next farm bill. As you know, Congress used a recent three-year period in determining program crop payment acres for the 2002 Farm Bill. Many farmers will assume this practice will be used again as they make their planting decisions in the next two years.

As an alternative to base-coupled programs, and recognizing the trend toward truly "green box" support in the WTO negotiations, ASA has been looking at moving to fully decoupled payments. A study by DTB Associates indicates that, while acreage shifts would not be particularly pronounced for any crop, this approach would result in a slight increase in soybean plantings. ASA looks forward to working with the Subcommittee and the full Agriculture Committee in examining this and other options as we approach deliberations on new farm legislation.

Other Provisions of the 2002 Act

I would now like to comment on other provisions of the 2002 Farm Bill that are important to soybean producers.

Conservation Security Program (CSP)

ASA has long supported development of programs providing incentives to producers who practice good conservation. The Conservation Security Program (CSP) was designed to provide producers with incentives to manage working lands for ecological benefits. Authorized in the 2002 Farm Bill, but not yet implemented, this program is designed to set sustainable farming goals that give producers flexibility.

However, we now face the implementation phase, and some have voiced concerns that payments may not be adequate, and that producers may be excluded who would otherwise qualify under the intent of the legislation. If implemented as Congress intended, CSP will function properly, and ASA members will benefit from this new and innovative program. ASA has submitted comments to USDA making their concerns known.

CCC Bioenergy Program

The CCC Bioenergy Program is critical to building new biodiesel facilities because it allows more affordable purchases of inputs by start-up companies. This program has energized the biodiesel industry, helping it transition from research and development to a commercialization phase. We estimate if appropriations match the authorization level of \$150 million, more than a dozen new biodiesel production facilities could be constructed throughout the country over the next 24 months.

Bio-Based Initiatives and Section 9002

Section 9002 of the Farm Bill calls upon USDA to prepare guidelines for use and procurement of bio-based products by our government. USDA is to designate bio-based products for agencies to purchase, and provide recommendations for products with bio-based content; types of items would include cleaning fluids, washing soaps and soy-based fuels, like biodiesel. We are hopeful USDA will advance this program as Congress intended so it will benefit our farmers, rural communities, and the environment.

FMD and MAP

The Foreign Market Development (FMD) program and the Market Access Program (MAP) received increased funding in the 2002 Farm Bill. ASA is pleased that FMD is now consistently receiving annual funding at the authorized level of \$34.5 million. Under the Farm Bill, funding for MAP is scheduled to increase to \$140 million by FY-2005, up from \$125 million this year. However, the President's budget for FY-2005 does not include this increase. We are concerned that MAP may not be funded adequately at a time when we are facing tough competition from South America, forcing us to forego marketing opportunities around the world.

Food Aid Programs

The 2002 Farm Bill attempted to provide a consistent and reliable humanitarian assistance mechanism that would continue the U.S. commitment to feed the world's poorest people. However, in the last two years, non-emergency funding for food aid programs has been rapidly shrinking. Our largest food aid program, P.L. 480 Title II, requires that 1,875,000 metric tons of food aid be provided each year to reduce chronic hunger. The FY-2004 appropriations bill supported this requirement, stating that the 1,875,000 metric ton non-emergency requirement should be met. Nevertheless, only 1,000,000 metric tons of food aid has been actually used for non-emergency programs this fiscal year.

The 2002 Farm Bill authorized funding for the McGovern-Dole International Food for Education and Child Nutrition program at \$100 million for FY-2003, with future years to receive appropriations of "such sums as necessary." However, funding in FY-2004 has fallen to \$50 million, and the President's budget request for FY-2005 is for \$75 million. These sums are below needed levels, and will result in preventing two million children from receiving one meal a day at school.

This continuing decline in food aid support is impacting efforts to address the HIV/AIDS crisis as well as chronic hunger and malnutrition. While it is important to maintain funding for emergency programs which provide food in the event of natural disasters or war, non-emergency funding for food that helps prolong life and productivity is essential if we are to assist those suffering from AIDS.

Crop Insurance and the Farm Program

One of the questions the Subcommittee asked us to address is whether crop insurance should be incorporated into omnibus farm legislation, since it plays an important role in supporting farm income. Our initial reaction is no. While crop insurance is the government's primary risk management tool, it is quite different from other farm programs. First, the federal crop insurance program is not an entitlement, and many soybean farmers choose not to buy it. Additionally, this program is at least as complicated as farm bill programs -- we would note that action on the Agricultural Risk Protection Act of 2000 took well over a year. Combining two large, highly technical pieces of legislation into one would make oversight and reauthorization of these programs all the more difficult.

Additionally, we are concerned about adding to the rising budget pressure on omnibus farm legislation if the federal crop insurance program were added to the overall cost. For those non-farm constituencies who are quick to criticize agriculture spending, combining the two most expensive pieces of farm support legislation into one bill would offer an irresistible target.

Other Key Issues Facing Soybean Producers

In closing, Mr. Chairman, I would mention that ASA has been preoccupied in the last two years with several major issues that fall outside the scope of the 2002 Farm Bill. These include promoting biodiesel use through enactment of a tax incentive in the FSC/ETI bill, the highway

transportation bill, or the energy bill, all currently awaiting Congressional action. We appreciate your support for this initiative, Mr. Chairman, and that of other Members of the Subcommittee.

Second, we are trying to find ways to compete with the rise in Brazil's soybean production and exports of soybeans and soybean and livestock products. We have asked our trade negotiators to ensure that developing countries that are also world-class agricultural exporters are subject to the same disciplines as developed countries in the current WTO trade talks.

Third, we are working to prevent the European Union and other countries from restricting access to their markets for U.S. biotech crops, including soybeans, through process-based labeling and onerous traceability regulations. We have asked the Administration to confront the EU's new T&L regulation by bringing a dispute settlement case before the WTO.

Finally, ASA is actively engaged with USDA and other federal agencies in confronting the threat of soybean rust. We are working with APHIS to ensure that protocols are in place that will prevent accidental introduction of rust through imports. We are also looking at ways to ensure adequate supplies of fungicides are available in the event of a rust outbreak. And we are supporting research through ARS that can develop soybean varieties that are resistant or tolerant to rust.

Conclusion

We appreciate your support, Mr. Chairman, and the support of your colleagues, for ASA's ongoing efforts in these various areas, and look forward to continuing to work with you. Thank you again for the opportunity to appear today. I will be happy to respond to any questions.

**Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form**

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2002.

Name: Bart Ruth
Address: 121 29th Road, Rising City, Nebraska 68658
Telephone: (402) 542-2181

Organization you represent (if any): American Soybean Association

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2002, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: N/A Amount: _____
Source: N/A Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2002, as well as the source and the amount of each grant or contract:

Source: Foreign Market Development (FMD) Amount: \$17.1 million
Source: Market Access Program (MAP) Amount: \$7.2 million

Please check here if this form is NOT applicable to you: _____

Signature: Bart D Ruth

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

American Soybean Association



Bart Ruth, a producer from Rising City, Nebraska, is Past President of the American Soybean Association (ASA). He serves as Chairman of the ASA's Strategic Planning Committee and is member of the Public Affairs Committee. He was President for 2001-2002 and First Vice President for the 2000-2001 term, when he also Chaired the Public Affairs Committee. Ruth was Chairman of the ASA Latin America Subcommittee for the 1999-2000 term and has served on the ASA Board of Directors and the ASA Public Affairs Committee since 1997.

Ruth served on the Nebraska Soybean Association Board of Directors from 1987-1999 and completed terms as Chairman, President, First Vice President, Vice President and Assistant Treasurer.

He has served on the Nebraska Foundation for Agricultural Awareness Board of Directors and Farmers Cooperative Business Association Board of Directors.

Ruth and his family operate a 1,550 acre grain farm, producing 750 acres of soybeans and 800 acres of corn.

The American Soybean Association is a national, not-for-profit, grassroots membership organization that develops and implements policies to increase the profitability of its members and the entire soybean industry.

With a crop value of over \$18 billion annually, the United States is the world leader in soybean production, representing nearly 50 percent of the world soybean crop. More than half of the U.S. soybean crop is exported each year.

The American Soybean Association was founded in 1920.